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C O N F I D E N T I A L BEIJING 001374

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TAGS: [PREL](#) [PGOV](#) [EAID](#) [EFIN](#) [IZ](#) [CH](#)  
SUBJECT: PRC/IRAQ: CHINA WANTS TO PLAY "POSITIVE" ROLE, BUT  
MOST DEBT STILL UNRESOLVED

REF: SECSTATE 35471

Classified By: Deputy Political Section Chief Ben Moeling.  
Reasons 1.4 (b/d).

¶1. (C) As instructed reftel, Poloff delivered points on demonstrating support for the Iraqi government to Attache Wu Xiaofeng of the Iraq office at the MFA's West Asian and North African Affairs Department. Wu said that China would participate "in a positive way" in the up-coming Neighbor's Conference by sending Assistant Foreign Minister Zhai Jun as its representative. Wu was unaware of the upcoming meeting of the International Compact with Iraq (ICI) in Stockholm. He noted that all official Iraqi debt has been cancelled, but an agreement to reduce debt held by Chinese state-owned enterprises under the terms of the Paris Club is still under discussion. Iraqi Embassy PolOff Sarhad Fatah reported separately that the agreement to reduce the SOE debt, which accounts for up to 80 percent of the total Chinese debt, has stalled in the absence of a new Iraqi oil law, which would provide necessary "legal clarity." He added that the agreement is also contingent on a "positive" Iraqi decision on upholding Saddam-era contracts for oil exploration by Chinese firms.

¶2. (C) MFA International Organizations and Conferences Department UN Division Deputy Director Yao Shaojun said that the MFA has not yet been informed of the Stockholm meeting of the ICI, and sought additional information on the meeting and U.S. participation. Underscoring the importance of a stable Iraq and China's continuing interest in remaining engaged on the issue, Yao noted that China participated in the launch of the ICI last year and said he expects China would send a representative to Stockholm.  
RANDT